

**MINUTES OF THE
ACCEL BOARD OF DIRECTORS
THURSDAY, APRIL 10, 2014 AT 2:30 PM
FRIDAY, APRIL 11, 2014 AT 9:00 AM
Padre Hotel, Bakersfield, CA**

MEMBERS PRESENT

Dave Nunley, City of Anaheim
Jena Covey, City of Bakersfield
Mary Akin, City of Modesto
Rhonda Combs, City of Monterey
Claudia Koob, City of Mountain View
Ann Richey, City of Ontario
Sandra Blanch, City of Palo Alto
Mark Howard, City of Santa Barbara
Patty Haymond, City of Santa Cruz
Deb Hossli, City of Santa Monica
Charlotte Dunn, City of Visalia

MEMBERS ABSENT

Betsy Dolan, City of Burbank

GUESTS AND CONSULTANTS

Conor Boughey, Alliant Insurance Services
Michael Simmons, Alliant Insurance Services
Daniel Howell, Alliant Insurance Services
Vadim Livshits, Alliant Insurance Services
Keyan Aghili, Carl Warren & Company, April 10, 2014
John Alltop, Bickmore, April 11, 2014 via telephone

A. CALL TO ORDER

President Ann Richey called the meeting to order at 2:30 pm, April 10, 2014

President Ann Richey called the meeting to order at 8:30 am, April 11, 2014

B. CONSENT CALENDAR



B1. Approval of Minutes for the February 12, 2014 Board Meeting

Rhonda Combs states that she would like the page 9 of the minutes amended to show that only agencies without Safety Officers can purchase insurance at a \$750,000 SIR, while, agencies with Safety Officers have a SIR of \$1,000,000.

The administrators will also clarify section E.1 Paragraph 2 to reflect that SILC can add aggregates, but we can avoid such by going to reinsurance.

The board agreed that the minutes will be amended at a later time, but will still be approved at this meeting.

A motion was made to approve the minutes as amended.

MOTION: Claudia Koob **SECOND:** Rhonda Combs

MOTION CARRIED

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
Dave Nunley	x		
Jena Covey	X		
Mary Akin	X		
Rhonda Combs	X		
Claudia Koob	X		
Ann Richey	X		
Sandra Blanch	X		
Mark Howard	X		
Patty Haymond			X
Deb Hossli	X		
Charlotte Dunn	X		

C. GENERAL RISK MANAGEMENT ISSUES

Rhonda Combs reported that she is trying to explain to a professional services provider to the City of Monterey why they would need General Liability coverage when they already have Professional Liability. Michael Simmons and other Board Members reported that things could happen such as breach of confidential data, property damage, bodily injury, or coffee spilled on a computer.

Dave Nunley reported that The City of Anaheim recently concluded the Diaz trial. Dave further reported that ACCEL is such a great product because it prevents insurance companies from trying to settle claims that have a risk to the excess layer. ACCEL stands behind their cities to allow them to go to trial and win their cases in court and chart their own paths legally.

Jena Covey reported that she is entering into negotiations for a carve-out for alternative dispute resolution on Workers Compensation issues with Safety Unions only. Mark Howard believes

that by changing the philosophy of a Third Party Administrator you can avoid the carve-out and get the same protections. From his own experience, doing such will reduce litigation dramatically within 3 years. Jena Covey reports that they have cut a significant amount of time off their 4850 over the last 3 years.

The Board directed the administrators to invite Tony Su to the October Board of Directors meeting in Modesto to show what services he provides to Cities.

C1. Burbank Railroad Quiet Zones

Conor Boughey explained that Burbank is entering an agreement with Metrolink and would like to establish quiet zones. Metrolink would like to be indemnified for any losses as a result of the quiet zones.

Dave Nunley explained that the City of Anaheim has quiet zones, but they only indemnify for negligent acts of the City. Anaheim's quiet zones are approved by the Public Utilities Commission, Federal Railroad Administration, Southern California Railroad Administration, and follow all established guidelines. He also pointed out that conductors of trains can still utilize the horn if needed.

Dave pointed out that a design cannot change once established, or it can fall out of compliance.

Ann Richey asked if you have to get all crossings reapproved if somewhere over the course of time road and area designs change. It is believed by Dave that all quiet zones would have to be reapproved.

The board is in agreement that no coverage issues would arise if the City of Burbank entered into the agreement with Metrolink.

C2. 911 Nurse Practitioners/Medical Malpractice Coverage

The City of Anaheim would like to staff ambulances with Nurse Practitioners and a firefighter/EMT. The practitioner can attend to basic medical needs, but not provide narcotics. If the nurse decides there is a need for transport to a hospital, then the EMT takes over and a fire engine is called to the scene and a transport takes places. Kaiser reports that its data shows that reducing Emergency Room visits by just six people a month will allow this program to pay for itself. The challenge is whether Kaiser will want any indemnification from the City for this. Normally a nurse practitioner would buy their own medical mal-practice coverage, but that is not the case here. The question is whether or not this is covered by the ACCEL Memorandum of Coverage.

Michael Simmons is an advocate for modifying the MOC to cover nurse-practitioners. Currently it does not exclude nurse-practitioners specifically. He explained how this program is used in a rural area in Humboldt County, NV. During off times, the 911-dispatch center calls and checks on seniors in the community, and sends out the Sheriff to check on people. Because this program



prevents unnecessary hospital transports, it reduces costs dramatically. The program additionally reduces unnecessary calls to 911, which tie up the lines necessary for real emergencies.

Rhonda and Mark like the idea of having a separate insurance policy to cover this program instead of being covered due to lack of exclusion in the MOC because it is not an exposure for all Members.

Rhonda Combs suggested that we would like to know in writing, exactly what this project is going to be.

Ann Richey would like the Underwriting committee to convene and look at this issue and report back at the next Board Meeting. Mark as underwriting chair will call a meeting and invite Dave, Deb and their City's Fire Cheifs. This will occur so that a recommendation can be brought to the June meeting with a recommended amendment to the MOC Language.

D. REPORTS

D1. President's Report

Last Tuesday Ann Richey participated in CAJPA's legislative action day. She went to Sacramento to review legislative bills and met with some State Senators. She had particular interest in a bill that would separate 4850 time from the 104 weeks that are currently paid to people on disability. She found it interesting how an incident at one City totally unrelated to ACCEL has an effect on ACCEL's rates.

D1a. Appointment of Nominating Committee

Conor Boughey would like two volunteers, one from Northern California and one from Southern California, to contact other board members to hear nominations for the President, Vice President and Treasurer position. They are responsible for contacting the nominated Board members to get them to fill these positions.

Mary Akin of Modesto and Deb Hossli of Santa Monica volunteered.

MOTION: Mary Akin

SECOND: Deb Hossli

MOTION CARRIED

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
Dave Nunley	X		
Jena Covey	X		
Mary Akin	X		
Rhonda Combs	X		
Claudia Koob	X		
Ann Richey	X		
Sandra Blanch	X		
Mark Howard	X		



Patty Haymond	X		
Deb Hossli	X		
Charlotte Dunn	X		

D2. Claims Committee

D2a. The ACCEL Board of Directors entered into Closed Session pursuant to Government Section Code 54956.95

A motion was made to enter into closed session at 3:38 PM pursuant to Government Section Code 54956.95.

MOTION: Mark Howard **SECOND:** Deb Hossli **MOTION CARRIED**

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
Dave Nunley	X		
Jena Covey	X		
Mary Akin	X		
Rhonda Combs	X		
Claudia Koob	X		
Ann Richey	X		
Sandra Blanch	X		
Mark Howard	X		
Patty Haymond	X		
Deb Hossli	X		
Charlotte Dunn	X		

A motion was made to come out of closed session at 4:15pm

MOTION: Mark Howard **SECOND:** Sandra Blanch **MOTION CARRIED**

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
Dave Nunley	X		
Jena Covey	X		
Mary Akin	X		
Rhonda Combs	X		
Claudia Koob	X		
Ann Richey	X		
Sandra Blanch	X		
Mark Howard	X		
Patty Haymond	X		
Deb Hossli	X		
Charlotte Dunn	X		

The Claims Committee directed staff to take action on an agendized claim.

D2b. Bill Review Contract Status



Conor Boughey reported that David Garthe was engaged to provide the review of the Burbank claim, and proposed doing this work at a max of \$185 per hour. The high side of his estimate is \$7,400, as compared to the previous attorney, John Conlon, who was asking for a percentage of the bills, which potentially equaled over \$60,000.

Keyan Aghili reports that sometime in 2011, the bills started being segregated, which greatly reduces the workload. He doesn't believe that David Garthe will be that expensive due to the bill segregation in 2011, and instead of checking all bills from that point forward, they will do spot checks after that period.

ACCEL has done its due diligence, and gathered information, and the bills can be processed. The work should take 40 hours to do. Mark Howard asked if the data would be provided by the June meeting. Keyan will address this request with David Garthe, and expects that this shouldn't be an issue.

Conor Boughey asked for a date of loss to be assigned. Keyan says that they could provide a year, which Ann Richey says should be enough.

Keyan Aghili doesn't think that expenses on Guillen were that high, and that Diaz is over \$4 million. Keyan believes that ACCEL will pay between \$3 million and \$4 million.

Rhonda Combs would like February the minutes to be clarified to show that David Garthe would be solicited for this project.

Motion to have David Garthe review the legal bills at amount not to exceed \$7,400, a deadline for a completion of the report within 60 days, and to have supplemental a coverage opinion which includes an analysis on a date of loss.

MOTION: Mark Howard **SECOND:** Rhonda Combs

MOTION CARRIED

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
Dave Nunley	X		
Jena Covey	X		
Mary Akin	X		
Rhonda Combs	X		
Claudia Koob	X		
Ann Richey	X		
Sandra Blanch	X		
Mark Howard	X		
Patty Haymond	X		
Deb Hossli	X		
Charlotte Dunn	X		

D2c. Claims Audit Report



Conor Boughey reported that the Starr Indemnity Liability Company completed a claims audit at the City of Burbank, which was a condition of binding at the July 1, 2013 renewal. SILC noticed a large reserve on ACCEL's Loss Run and believe they would have to pay a portion of the claim, or that ACCEL may not be reserving properly. That audit has been completed, and it is understood by the administrators that no issues have been found. The policy will be issued with no findings for the coverage term. There were also no findings at the City of Burbank.

Ann Richey suggested that we have to be transparent and let auditors come in, even when an audit specifically targets your City.

D3. Financial and Treasurer's

Claudia Koob reported on the Financial and Treasurers items.

D3a. Ratification of Disbursements

Claudia reported on the disbursements included in the agenda. There were no questions by the Board.

D3b. Report of Investments

Claudia reported on the Investment Reports included in the agenda packet, pointing out the investment earnings and compliance report for each month. There were no questions by the Board.

A motion was made to receive and file the item D3, D3a, and D3b.

MOTION: Mark Howard **SECOND:** Mary Akin

MOTION CARRIED

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
Dave Nunley	X		
Jena Covey	X		
Mary Akin	X		
Rhonda Combs	X		
Claudia Koob	X		
Ann Richey	X		
Sandra Blanch	X		
Mark Howard	X		
Patty Haymond	X		
Deb Hossli	X		
Charlotte Dunn	X		

D4. Program Administrator's

D4a. Account Time Tracking as of December 31, 2013

Conor reported that this is an annual report, ending December 31, 2013. This report outlines how much time the administrators spend on pool related activities. This is a reflection of all services provided to the pool, not including brokerage. The composite rate is approximately \$131, and has stayed roughly the same as last year. Hours last year have increased, mostly due to changes to the service team, and time spent training new employees. A description was given on what everyone does in the Alliant office for this account.

D5. Underwriting Committee

No report.

E. UNFINISHED BUSINESS

E1. ACCEL Excess Liability Program Renewal

Daniel Howell reported that Alliant will be marketing the excess liability program this year due to new insurance companies entering the market for Public Entities. Alliant has been working with Starr Indemnity Liability Company to renew the first excess layer, but we have not heard final word on expected renewal terms.

Daniel further reported that ACCEL should be able to renew the excess program with a flat to slight increase over expiring.

Rhonda asked which layers we are marketing. Dan reported that we will be focusing on renewing the first excess layer with SILC because of the incredibly favorable terms offered, and then market all excess lines. Dan believes that SILC will give ACCEL a 5% or less increase, and if it is greater, Alliant will market the layer. If SILC comes back with a one-time aggregate, then we will also look to market the layer.

No action taken

E2. Optional Excess Workers Compensation Program

Conor Boughey reported that the agenda includes the third round estimates that include each member's experience modification (Ex-Mod) factor. The Ex-Mod is a calculation that provides a rating basis between members, with 100% being average, and anything above that being worse than average. If your Ex-Mod increases and all other factors stay the same, your pricing will increase. Alliant received a report outlining the savings provided by CSAC-EIA and will send it to the Members. The report shows standard market rates, class codes, what you would buy in a standard market versus what you get in CSAC. The average savings for those who participate is about \$820,000.

Jena Covey asked about some of the criteria CSAC uses, such as life expectancy. She would prefer if they used CalPERS instead. Ann Richey reports that she was at a meeting with John Alltop, and that they discussed setting things such as setting life expectancy in depth. Jena is concerned that there is a lack of consistency on numbers used between different groups.

Rhonda Combs asked about Ex-Mod rates, and would like an explanation of her Ex-Mod going up. Conor Boughey explained that chart has one data point for every 7 years.

Michael Simmons explained how the concept of Ex-Mod was changed at CSAC from frequency to calculate severity to a new model. Changing that factor changes everyone's Ex-Mod, and everyone's goes up slightly. But because everyone's is going up, Cities' shares aren't changing. This is the last year of the transition, and starting next year, there will only be the new allocation.

Patty Haymond would like to get Ex-Mods a bit earlier. Conor Boughey says that there are emails sent out from CSAC-EIA that send the Ex-Mod. Mark Howard pointed out that only the President gets reports by email, but the rest of the Board Members do not. Mike and Conor reported that they will work on it, and see what can be done about notifying all members instead of just Ann Richey.

Rhonda Combs would like to have this noted in the next minutes, especially pool funding and what the CSAC-EIA rates are.

The program administrators will create an agenda item at the June board meeting to advise on worker's comp.

F. NEW BUSINESS

F1. Meeting Minutes Distribution Deadline

Conor Boughey reported that Members requested to discuss the timeline for the distribution of Minutes. This item was brought to our attention by Rhonda Combs and Ann Richey requested a discussion at the April Board Meeting. Conor outlined the standard practices of other JPAs which do not have a firm policy, but some aim to distribute within 2 weeks of the Board Meeting.

Members discussed what an appropriate deadline would be for minute distribution. Rhonda Combs reported that she looked into best practices online, but could not find a standardized timeframe. Mark Howard reported that 7 days would not allow for enough time for the Program Administrators to complete the minutes, but 15 days should be sufficient. Ann Richey reported that 2 weeks seems like a reasonable expectation.

Rhonda Combs reported that she would be willing to proofread all minutes.

Patty Haymond reported that some of the edits she had requested do not appear to be in the draft minutes included in the agenda packet, and she would like to make sure they are included. Conor

apologized for the error, and reported that a revised set of February's Meeting Minutes would be on the June Agenda for review.

Motion made to give administrators direction on more timely distribution of minutes, with a target of Draft Minutes being sent to the Board within 2 weeks.

MOTION: Rhonda Combs **SECOND:** Mark Howard

MOTION CARRIED

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
Dave Nunley	X		
Jena Covey	X		
Mary Akin	X		
Rhonda Combs	X		
Claudia Koob	X		
Ann Richey	X		
Sandra Blanch	X		
Mark Howard	X		
Patty Haymond	X		
Deb Hossli	X		
Charlotte Dunn	X		

TIME CERTAIN: Friday, April 11, 2014, 9:00 AM

F2. Approval of the 2014 Actuarial Report

Conor reported that John Alltop was unable to attend today's Board Meeting, but will be joining the meeting by teleconference. John introduced himself to the group, and walked through the Actuarial Study, paying close attention to the year over year changes in claims liabilities. John noted that the outstanding liabilities had increased over last year's report due to a lack of claims payments. John reported that this wasn't really a bad thing, but because no claims were paid, there was still a claims liability for future payment, but ACCEL's cash position should have increased as well. John further reported that while the outstanding liabilities increased, the future years rate has decreased due to improved experience within the pool.

Conor asked John if ACCEL were to close old years that still have IBNR assigned to them, does John need to be made aware of that. John responded that he would, and he would move the IBNR forward to more recent years. In essence there would be no change to total IBNR, but that older year's allocation would be moved to more recent years.

Jena Covey asked what CSAC-EIA based their life expectancy on. John answered that Bickmore did an analysis on the medical reserve expectancy model for CSAC-EIA. The life expectancy tables typically used are for healthy individuals separated by male and female. During his study, John looked at claims from many different perspectives such as date of first physical disability payment. For those claims currently closed, the model overstated reserves, but it is not certain yet that it has for currently open claims. Life expectancy tables show that disabled people have a

20-25% shorter life expectancy than healthy people. This had about a \$10 million impact on the surplus. Members of the Board asked John several other questions about the CSAC-EIA project, and John addressed each question.

Alliant will work with Bickmore to revise and bring back the report for the June meeting. In the meantime, the actuarial will be sent to Mark Priven for peer review. Mark will treat ACCEL as if it were a new client.

No action was taken, the study will be presented in Final Draft form at the June Board Meeting.

F3. Liability Claims Audit Status

Conor reported that Tim Farley will be doing exit meetings with all members. There is a form that members are supposed to fill out with Tim. Feedback from members indicates that until now, he has not been doing the exit interviews.

Administrators will send the exit form to Tim Farley with instructions to contact Board Members to complete the exit forms.

F4. Draft Administration Budget

Conor Boughey reports that this is a first a look at the draft budget. The year over year change is about \$6,000, as shown on page 114 of the agenda. The year over year adjustments are outlined on page 113 of the agenda.

Rhonda asked about a side fund as pointed out in the last minutes. Mike said it was discussed at Alliant and it was decided that it was unnecessary.

The budget will be presented at the June Board Meeting

No action was taken.

F5. Draft Retrospective Rating Calculation

Conor Boughey reports that the draft of the retro program has been completed and handed out at the Board Meeting. Conor further reported that there are a lot more negative numbers in the current year calculation due to Vadim's work in moving funds forward in preparation for closing old program years. These numbers will be zero when we administratively close out old years, and they are currently negatives due to IBNR applied to old years. Conor further reported that the 2007-08 and 2008-09 years are running on the RPC calculation, which only looks at claims excess of \$1,000,000. This means that the calculation is much more severe for Cities that experience a large loss.



Last year \$800,000 in funds were removed from the pool, which leaves about \$5 Million to give back to members. This year about \$16 Million is left to go back to members if they choose to take it. Mike noted that these numbers are just estimates based on last year's actuarial.

In program year 2007-08 Ontario improved from -\$853,000 to -\$251,000, this is because there was an open reserve last year, which closed. Some of the burden shifted to Santa Monica because they have a large claim, and the rest shifted to other members. Conor reported that the year was basically over-reserved in last year's report.

Conor Boughey pointed out how there is a practice (unwritten policy) that allows members to let a year slide if the test year shows that they will be able to cover the deficit in the next year. The final numbers will change, but each City's position should not change more than \$100,000. Money can be left on account if the member writes a letter, but the money cannot be left past December 31st.

Ann Richey asked members that everyone should look at claims older than July 1, 2007, and see if they're open, and can be closed, and see if there are appropriate reserves on them.

The Administrators will bring this item back in June with updated data.

F6. Investment Policy – Annual Review

Conor Boughey reports the investment policy was sent to Ted Piorkowski for review. Ted did not recommend any changes. The investment policy is reviewed every year.

A motion was made to annually adopt the Investment Policy.

MOTION: Mark Howard

SECOND: Mary Akin

MOTION CARRIED

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
Dave Nunley	X		
Jena Covey	X		
Mary Akin	X		
Rhonda Combs			X
Claudia Koob	X		
Ann Richey	X		
Sandra Blanch			X
Mark Howard	X		
Patty Haymond	X		
Deb Hossli	X		
Charlotte Dunn	X		

F7. Next Two Meeting Schedule



Conor Boughey reports that due to scheduling conflicts, the administrators are asking that the board take action to adopt new board meeting dates on October 9th and 10th. These dates will replace the meeting previously scheduled for October 16th and 17th.

Ann Richey would like to change the start time of the June meeting to 2:00 PM in order to accommodate a presentation by Tom Vance.

MOTION: Mary Akin

SECOND: Patty Haymond

MOTION CARRIED

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
Dave Nunley	X		
Jena Covey	X		
Mary Akin	X		
Rhonda Combs			X
Claudia Koob	X		
Ann Richey	X		
Sandra Blanch	X		
Mark Howard	X		
Patty Haymond	X		
Deb Hossli	X		
Charlotte Dunn	X		

The administrators will send an email immediately notifying board.

G. CORRESPONDENCE/INFORMATION

G1. 2014 PRIMA Conference

Conor Boughey reported the PRIMA Conference this year is in Long Beach, CA. He also reported that the latest issue of *The Risk Report* has been included in the Agenda Packet.

Deb Hossli asked if members can be reimbursed for attendance of the RIMS Conference. Conor Boughey reported only if RIMS is in California.

G2. The Risk Report-Spoliation and Subrogation-April 2014

H. PUBLIC COMMENTS

None.

ADJOURNMENT

President Ann Richey adjourned the meeting at 5:00 p.m. on Thursday, April 10, 2014.

President Ann Richey adjourned the meeting at 10:30 a.m. on Friday, April 11, 2014.